THE COTTON PROGRAM UNDER THE AGRICULTURAL ADJUSTMENT ACT
AND
THE COTTON ACT OF 1934

Address by E. D. White, Field Representative, Cotton Production Section, Agricultural Adjustment Administration, before the Institute of Public Affairs, Southern Methodist University, Dallas, Texas, February 1, 1935.

The present cotton program began with the passage of the Agricultural Adjustment Act in May, 1933. The economic situation leading up to the passage of the Act had resulted in severe disparity between prices of farm products and other products. While disparity was present in the price of every product, it was most severe in the export commodities, such as cotton, wheat, rice, and tobacco. The Agricultural Adjustment Act was passed to cope with the economic situation that confronted this country at the beginning of 1933.

The purposes set forth in the Act were: "to relieve the existing national emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for orderly liquidation of joint stock land banks, and for other purposes." Methods and procedures authorized by the Act enabled an orderly, yet quick dealing, with the farm problem, and contained the following declaration of emergency: "That the present acute economic emergency being in part the consequence of a severe and increasing disparity between the prices of agricultural and other commodities, which disparity has largely destroyed the purchasing power of farmers for industrial products, has broken down the orderly exchange of commodities, and has seriously impaired the agricultural assets supporting the National credit structure, it is hereby declared that these conditions in the basic industry of Agriculture have affected transactions in agricultural commodities with a National public interest, have burnened and obstructed the normal currents of commerce in such commodities, and render imperative the immediate enactment of title I of this Act."

The declared policy of Congress regarding the National economic emergency is clearly set forth in the Agricultural Adjustment Act as follows: (1) "to establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will re-establish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. The base period in the case of all agricultural commodities except tobacco shall be the prewar period, August, 1909 - July, 1914 -"; (2) "to approach such equality of purchasing power by gradual correction of the present inequalities therein at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic markets"; and (3) "to protect the consumer's interest by readjusting farm production at such level as will not increase the percentage of the consumer's retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer, above the percentage which was returned to the farmer in the prewar period, August, 1909 - July, 1914."

One of the principal powers granted by Congress to effectuate the purposes of the Act was to control production by giving financial assistance through benefit payments to farmers who voluntarily cooperated with the Government in making the necessary adjustment. The existence of overproduction was recognized, together with the necessity of reducing this oversupply and refraining from further overproduction, so that farmers might receive their fair share of the National income.

The first commodity for which an adjustment program was developed and carried out was cotton. On April 15, 1933, just previous to the passage of the Act, the average farm price of cotton was 6.1 cents a pound, compared with approximately 18 cents a pound in the same month in 1929, and an average of 12.4 cents a pound during the prewar period, 1909-1914. World carryover of American cotton at the beginning of the new crop year, August 1, 1933, was expected to be around 12.5 million bales compared with a 10-year average of around 5 million bales. There was also indications that the acreage of cotton planted in 1933 would exceed that of 1932 and an increase of only 7 percent, the unofficial estimate at the time, would mean, with average yields, a production of approximately 13.7 million bales. Thus, the indicated 1933 crop, added to the estimated carryover, would have given a total supply of American cotton for 1933-34 slightly greater than the record supply of 26 million bales in 1931-32. In the face of such a large carryover, farmers had increased their cotton acreage in an effort to compensate for decreased price with increased volume. Labor was cheap and abundant and the prices of alternative crops were not encouraging. It seemed imperative, therefore, that the Secretary of Agriculture and the Administrator of the Act take immediate action to prevent further sharp declines in cotton prices and farm income.

In planning a program for immediate execution, a study was made of cotton production, consumption, and prices over the last twenty-year period. Before the World War, the cotton situation was relatively stable. World production was increasing and so was world demand. Cotton textile mills were expanding their operations both in the United States and in many foreign countries. Cotton producers saw little need under these circumstances to bother about control of production. Increased production forced prices down during some years, but years of smaller production and higher prices usually followed. Conditions appeared to warrant moderate, continuous expansion of cotton acreage.

The wartime and post-war developments upset the balance between cotton production and consumption. The price of cotton increased from 12.4 cents per pound during the prewar period to 28.4 cents per pound at the close of the World War. The favorable price situation did not lead to a great expansion in production because of high production costs and relatively high prices of other agricultural products. After a brief post-war slump, cotton prices recovered and again reached significantly high levels. The farm price in December, 1923, was 32 cents a pound. This was an incentive to increased production because at this price cotton was a relatively profitable crop.

From 1921 to 1926 tremendous expansion took place in the West. Texas alone increased production from 2,198,000 bales to 5,628,000 bales during this period, and in Oklahoma production increased from 481,000 to 1,773,000 bales. The acreage of cotton harvested in the United States during this period increased from 28,678,000 acres to 44,616,000 acres. A similar expansion occurred in foreign countries. During the period from 1921-22 to 1925-26, foreign cotton

acreage increased from 28,322,000 acres to 42,310,000 acres. More than two-thirds of the increase in acreage was in India.

After 1926 cotton production was maintained at a relatively high level. The business depression that began in 1929 apparently had little, if any, effect in decreasing cotton production, while on the other hand the depression contributed materially to a reduction in cotton consumption. The world carryover of American cotton in the 1929-30 season was less than 5,000,000 bales, whereas by 1932-33 such carryover reached nearly 13,000,000 bales. Thus, with production remaining at high levels and with cotton consumption declining, burdensome surpluses were created and prices fell to an extremely low level. The price producers received for cotton fell from 18 cents a pound in 1928-29 to 6.5 cents a pound in 1932-33. The gross income from the sale of cotton and cottonseed in the United States fell from $1.470,000,000 in 1928-29 to $483,912,000 in 1932-33. This represented a decline in the average gross income per farm family from the sale of cotton and cottonseed of from approximately $735 in 1928-29 to $242 in 1932-33. With the price of cotton moving sharply downward during this period, farm incomes were decreased tremendously. The price of things farmers bought, on the other hand, remained relatively high. The price of things farmers bought in 1932-33 averaged 7 percent above the prewar level, while the price of cotton and cottonseed averaged 54 percent below the prewar level. As a result the purchasing power of cotton farmers was greatly reduced, standard of living conditions was materially lowered, and current expenses and fixed debts were difficult, if not impossible, to meet. Thus, the economic situation in the Cotton Belt in May, 1933, was the culmination of a disastrous downswing in cotton prices and farm income over a period of years.

In view of this situation and the fact that another large crop of cotton was in prospect in 1933, it was clear that drastic action was necessary if a disaster of major proportions throughout the Cotton Belt was to be averted. On May 23, 1933, representatives of the Bureau of Agricultural Economics, the Extension Service, and the Agricultural Adjustment Administration met to consider the situation. In this conference it was emphasized that while fluctuating yields have seemed the dominating factor in cotton production in some recent years, acreage is the dominant factor in the long run. During approximately the first 30 years of this century cotton yields fluctuated and showed a net decline, while the acreage of cotton harvested increased over 70 percent.

Domestic production could without doubt be curtailed by reducing acreage Would such reduction in production in the United States stimulate foreign production and increase competition in the world markets? A study of the foreign cotton situation revealed that it would not be easy to immediately stimulate production materially in most countries because of unfavorable climatic, economic, and social conditions. While although it would be desirable to have all producing countries adjust production uniformly and thereby distribute the burden of improvement, it would be unwise for this country to wait until such unanimity of action was obtained before putting any program in effect. The important objective was to correct the unsatisfactory situation and yet avoid stimulating foreign production. The creation of a world shortage of cotton and excessively high prices might stimulate cotton production abroad, but a program aimed at reduction of the cotton surplus and the increase of cotton prices to parity did not seem likely to bring about material expansion in foreign cotton production. Not until a large part of the excessive carryovers had been removed would there

likely be any danger of world market prices advancing to a point which would result in significant increases in cotton acreages abroad.

It was decided that the minimum objective for 1933 must be the elimination of 10,000,000 acres, or 3,000,000 bales of cotton from the growing crop. Interviews with hundreds of farmers in key counties throughout the Cotton Belt confirmed estimates that it would be necessary to make payments of approximately $11.00 per acre on an average, in order to secure the cooperation of farmers in plowing under the required acreage. Accordingly, a schedule of payments calling for a total of approximately $110,000,000 was worked out.

Besides this schedule of payments, it was decided to give growers the alternative of a combination cash rental payment plus an option on Government owned cotton, as provided in Part I of the Agricultural Adjustment Act. Under this plan, the producer was to receive an option of 6 cents a pound on Government cotton in an amount equal to the estimated production on the land he retired from production. This meant that the privilege of optioning the cotton at 6 cents a pound would permit the producer to realize a profit of 4 cents a pound if the option should be called at 10 cents. The acreage reduction plan was calculated to reward those who voluntarily cooperated with benefit payments and option profits slightly more than the value of the cotton they would otherwise have harvested. In this way, the non-cooperators would not have an opportunity to profit at the expense of those who cooperated.

Late in June, 1933, cotton producers were offered the opportunity to enter into Cotton Option-Benefit or Benefit Contracts. Provision was made in the contract for the use of the land taken out of cotton. The producer was given the opportunity to plant the plowed up cotton acreage for the production of soil improvement, or erosion-preventing crops, or food, or feed crops for home use.

Simultaneously with the launching of the acreage reduction campaign in June, a committee made up of representatives of the Division of Information, Agricultural Adjustment Administration, the Extension Service, and the Cotton Section of the Administration's Production Division worked out a comprehensive schedule of news releases of an informational character to be carried in the daily and weekly newspapers and farm magazines, and a series of radio addresses to be delivered over National chains and local stations. The campaign had the active support of business and professional men generally.

The amount of land actually taken out of cotton production was approximately 10,500,000 acres. The baleage taken out of production was estimated at 4,500,000. The actual production on the remaining cotton acreage was limited to 13,047,000 bales.

Due to the high yield of 209 pounds of lint cotton harvested per acre in 1933, approximately 4,500,000 bales would have been produced on the 10,500,000 acres that were plowed under, and the full crop would have totaled approximately 17 1/2 million bales. The significance of these figures becomes apparentif one reviews the situation which would have prevailed if the Government had not intervened on behalf of the cotton growers. Had a full crop of over 17 million bales been harvested, the world supply of American cotton would have reached an unprecedented record of over 29,000,000 bales. The removal of over 4,000,000 bales from production prevented an increase in the surplus and resulted in cotton prices being higher during the harvesting season of 1933 than they otherwise would have been.

The 1,031,536 producers who withdrew land from cotton production received a total cash rental of approximately $112,500,000. They also received options on a quantity of Government-owned cotton on which they made a profit of more than $50,000,000.

The adjustment in the supply of cotton, a reduction in the gold content of the dollar, and an improvement in consumer demand increased the farm price of cotton from 6.5 cents per pound in 1932-33 to 9.7 per pound in 1933-34.

The farm value of the 1933-34 crop was $717,007,000 compared to $483,912,000 for a crop of similar size the year before. Including rental payments and profits on options, the gross value of the 1933-34 crop was approximately $880,097,000, or an increase of 82 percent in the value of the crop over that of a year previous.

Funds with which to make rental and benefit payments to cooperating cotton producers are obtained froma processing tax of 4.2 cents per pound net weight on cotton entering domestic consumption. Two factors make the processing tax on cotton of slight effect on prices received by producers. First, the United States normally exports between 55 and 60 percent of its cotton crop. Since no tax is levied on cotton for export, the price to foreign buyers is not appreciably affected by the processing tax on domestic consumption, and the price paid by domestic mills cannot be less than that offered by foreign buyers. The tax, therefore, is an additional cost attached to cotton in domestic consumption, over and above the export price for cotton. It does not increase the price to foreign buyers or place American cotton or cotton goods on an unfavorable competitive basis abroad. Second, the domestic demand for textile materials is relatively inelastic. Domestic mills will pay relatively high prices for cotton and consume large amounts of it when the consumer demand is strong, but when demand is weak, consumption is decreased, even though prices are low.

Voluntary farm readjustments could not be made without benefit payments, and therefore the need for processing taxes or other means of providing funds with which to make payments. From past experience we may be sure that unless farmers were helped or forced to make such adjustments, they would be made too slowly. Meantime, hundreds of thousands of farm families would be pauperized, and the depression in both town and country would be indefinitely prolonged. Some advantages of processing taxes are that they are easy and inexpensive to collect and difficult to evade. The revenues obtainable can be forecast with a high degree of accuracy. It is doubtful if any other form of tax would offer as sure and steady a source of revenue. The cotton tax of 4.2 cents a pound represents about 8 cents on a pair of overalls costing $1.60, less than 8 cents on a sheet costing $1.30, and about 3 1/2 cents on a work shirt costing 90 cents. Studies indicate that most of the cotton processing tax is passed to the consumer in the form of higher retail prices.

While cotton prices during the fall of 1933 were approximately 50 percent higher than in 1932, they were still below parity as defined in the Agricultural Adjustment Act. The farm price of cotton during the 1933-34 season averaged 9.7 cents a pound compared with parity price at 14½ cents a pound. This parity price was somewhat higher than in June, 1933, when the rate of processing tax was determined and is due to a rise in the prices paid by farmers for commodities bought.

Even though the 1933 program reduced the potential supply of cotton by 4.5 million bales, world supplies of American cotton for the 1933-34 season were still large, amounting to 24,635,000 bales; but were however, 1,326,000 bales, or about 5 percent, less than the supply for the previous season. This reduction was due to increased consumption, both at home and abroad. Should world consumption of American cotton in 1933-34 have been equal to the relatively high consumption of 14,171,000 bales in 1932-33, the carryover on August 1, 1934, would have been around 10.5 million bales, or more than twice the 10-year (1923-32) average carryover.

While foreign cotton acreage increased 3,661,000 acres, or about 9 percent in 1933 over that of 1932, cotton acreage in this country increased approximately 4,900,000 acres or nearly 14 percent. The world cotton acreage in 1933 was therefore definitely upward. Since comparatively little cotton is planted in foreign countries after the date on which the 1933 plow-up campaign began, the increased foreign acreage in 1933, over that of 1932, was not because of the cotton program in this country.

In order to further reduce the burdensome supplies of American cotton and to further improve cotton prices, a two-year program was worked out in the fall of 1933.

A series of meetings was held at central points throughout the South with representatives of the Extension Service, cotton producers, and others, and on the basis of these conferences, the general principles of a production control program for 1934 and 1935 was agreed upon. On September 22, 1933, the plan was announced by the Secretary of Agriculture. The objective of this program was a reduction in the carryover to near normal. For 1934 a reduction of 40 percent from the 1928-32 average planted acreage was to be made.

Contracting producers were required to reduce their base acreage by not less than 35 percent and not more than 45 percent. The land kept out of production was to be rented to the Secretary at three and one-half cents ($3\frac{1}{2}$¢) per pound on the average yield of lint cotton per acre for the farm in the years 1928-1932, inclusive, with a maximum rental of eighteen dollars ($18.00) per acre; an additional parity payment of not less than one cent per pound was to be made on the farm allotment. The contract stipulated that managing-share tenants should receive half of the rental payment, and that all tenants, including croppers, should share in the parity payments to the same extent that they shared in the crop.

A County Production Control Association was organized in each county as the Administrative agency of the Cotton Production Section, Agricultural Adjustment Administration, in relation to cotton production. Any producer entering into a contract with the Secretary of Agriculture was eligible for membership in the association in the county in which his farm was located. The control associations secured contracts from individual producers, made adjustments for overstatement if necessary, and forwarded the summary forms to the State Board of/ Review for approval, and if approved were forwarded to the Washington office.

Cotton producers were given the opportunity to plant the acreage rented to the Secretary for the production of soil-improvement, or erosion-preventing crops, or food crops, or feed crops, for home use.

The closing date for accepting contracts from producers was February 15. On this date the Secretary declared the program effective on the basis of the signatures obtained. Reports from State offices showed that nearly 1,000,000 producers whose base acreages approximated 39,000,000 acres had signed cotton contracts.

The most recent data available show that 1,004,000 cotton acreage reduction contracts have been accepted by the Secretary and that the base acreage represented by such contracts totals 38,217,296 acres. These contracting producers agreed to reduce their plantings in 1934 to 23,625,933 acres and to rent 14,591,363 acres of their cotton land to the Secretary of Agriculture. On July 1 the contracting producers had approximately 21.3 million acres of cotton in cultivation out of an estimated total of 28.4 million acres planted. On December 8, 1934, the Federal Crop Reporting Board estimated the acreage of cotton for harvest at 27,515,000 acres. Of this amount, approximately 20.6 million acres were to be harvested by contracting producers and 6.9 million acres by farmers operating farms not covered by contracts. From the total harvested acreage it is estimated that 9.7 million bales of cotton will be produced in the 1934-35 season. This, together with the carryover at the beginning of the season, will give a total supply of 20.3 million bales for the current crop year, or a reduction of 4.27 million bales or 17 percent under that of a year ago. This reduction in production is significant from the standpoint of price increase. The price of cotton during the harvesting season of 1934 has averaged around 12.5 cents a pound or about 29 percent higher than during the same period in 1933. The farm value of the 1934-35 crop was $756,420,000 compared to $717,007,000 for a crop approximately one-third larger in 1933. Including $116,686,371 paid cooperating producers in 1934 as rental and benefit payments, the gross value of the 1934-35 crop was approximately $873,106,371. This represented an increase in the average gross income per farm family from the sale of cotton and cottonseed of from approximately $242 in 1932-33 to $438 in 1934-35.

Both the 1933 and 1934 cotton reduction programs were based upon voluntary cooperation of cotton producers. Prior to such programs there had been considerable agitation throughout the South for compulsory control; so much, in fact, that some States such as Texas, Arkansas, Louisiana, and South Carolina passed legislative acts in 1931, either to restrict or to prohibit the growing of cotton for a period of at least one year.

During the early part of 1934 the Bankhead Bill was introduced in Congress. This bill called for the levying of a tax on the ginning of cotton and for assigning tax-free allotments to individual producers. While the Bill was pending in Congress, the Secretary of Agriculture sent questionnaires to 40,000 cotton producers throughout the South to determine the sentiment toward so-called "compulsory control." Over 25,000 replies were received promptly, and approximately 90 percent of these answering the questionnaire expressed themselves and the sentiment of their neighbors as being in favor of compulsory control and willing to cooperate in its enforcement. The Bankhead Bill was enacted into law on April 21, 1934, and became known as the Cotton Act or Bankhead Act. The purposes set forth in the Act were, "to place the cotton industry on a sound commercial basis, to prevent unfair competition and practices in putting cotton into the channels of interstate and foreign commerce, to provide funds for paying additional benefits under the Agricultural Adjustment Act, and for other purposes." The declared policy of Congress regarding the economic

emergency existing in cotton production and marketing is set forth as follows: "That in order to relieve the present acute economic emergency in that part of the agricultural industry devoted to cotton production and marketing by diminishing the disparity between prices paid to cotton producers, and persons engaged in cotton marketing and prices of other commodities and by restoring purchasing power to such producers and persons so that the restoration of the normal exchange in interstate and foreign commerce of all commodities may be fostered, and to raise revenue to enable the payment of additional benefits to cotton producers under the Agricultural Act, it is hereby declared to be the policy of Congress to promote the orderly marketing of cotton in interstate and foreign commerce; to enable producers of such commodity to stabilize their markets against undue and excessive fluctuations, and to preserve advantageous markets for such commodity, and to prevent unfair competition and practices in putting cotton into the channels of interstate and foreign commerce, and to more effectively balance production and consumption of cotton."

The Act was to be effective for one crop year, such year beginning June 1, 1934; and for a second year should the President find that the economic emergency will continue or is likely to continue to exist and should the Secretary find that two-thirds of the cotton producers favor its continuance. Under the Act 10,000,000 (500 pound, net weight) bales could be ginned tax free in 1934. The National allotment was to be divided equitably between all cotton-producing states and counties within such states. Ten percent of each state's allotment was reserved to take care of new producers and for certain unusual cases. The allotments to individual producers were determined in a manner similar to the way the farm allotment was determined under the acreage reduction contracts.

Those provisions of the Bankhead Act which designate the Secretary of Agriculture as administrator are carried out under the immediate supervision of the Cotton Production Section, Agricultural Adjustment Administration. State Allotment Boards were organized in each state, whose duties were to compute allotments to individual farmers and to issue tax-exemption certificates on the basis of information submitted by producers and approved by community and county committeemen.

A national pool was created to facilitate the sale and transfer of surplus tax-exemption certificates issued under the Bankhead Act and was announced by the Secretary of Agriculture on September 5, 1934. The price at which certificates were to be sold by the pool was fixed at 4 cents per pound, which was approximately 70 percent of the amount of the tax. Assistants in cotton adjustment were instructed to receive surplus exemption certificates from producers and transmit them to the Certificate Pool Manager who, in turn, was authorized to sell such surplus poundage to producers who had produced cotton in excess of their tax-free allotments.

By the first of December the National Certificate Pool had sold or had made commitments to sell approximately $11,000,000 worth of certificates. Over 80 percent of the surplus certificates were received from the States of Oklahoma and Texas. The sale of such certificates permits their use as a form of crop insurance and has enabled producers to increase their money income in those areas in which cotton production was much below normal in 1934. While the 1934-35 crop was approximately 700,000 bales less than the National allotment under the Bankhead Act, such reduction was due largely to the severe drouth in the

States of Texas, Oklahoma, and Arkansas. In all other cotton-producing states crop conditions were better than average, and in certain sections of the Southeastern Cotton Belt one of the best crops in years, from the standpoint of yield per acre, was harvested.

Notwithstanding weather conditions, however, there is no doubt but that the Bankhead Act contributed materially to the smaller national production this year. The passage of the Act was practically assured during the early part of the cotton planting season. Many producers reduced their plantings so that their adjusted production would approximate their allotments of tax-free cotton. The Act also contributed to the success of the voluntary acreage reduction program by penalizing those producers who failed to comply with either the letter or the spirit of the cotton acreage reduction contracts.

While cotton prices during the fall of 1934 were approximately one-third higher than in 1933, they were still below parity. The average farm price of cotton in November, 1934, was 12.3 cents per pound compared with parity price at 15.6 cents per pound.

Even with the sharp reduction of 3.3 million bales in the 1934-35 crop under that of 1933-34, world supplies of American cotton were still relatively large, amounting to 20.4 million bales. The carryover of 10.6 million bales at the beginning of the current season was more than twice as large as the 10-year (1923-32) average carryover.

There were also some indications that pointed to a tendency toward a larger cotton acreage in 1935. The farm population has increased substantially in the South since 1929 and on January 1, 1934, such population reached 54 percent of the total farm population of the United States. There is, therefore, a large supply of labor available for making in the 1935 crop. Also the number of work stock on farms in the Cotton Belt is larger and their physical condition is better than in any year since 1929. There also appears to be ample credit available to finance the new crop in the Cotton Belt. Thus, in view of this and in view of the cotton supply and price situation, the Secretary of Agriculture late in November, 1934, declared the 1934-35 contracts in effect for the year 1935, so that excess supplies of cotton might be further reduced and so that present cotton prices might at least be maintained. The contracts will remain essentially the same as in 1934, except that the parity payment will be increased by not less than 25 percent. Contracting producers will also be permitted to rent to the Secretary not less than 25 percent nor more than 35 percent of their adjusted base acreage.

The Bankhead Act operates concurrently with the voluntary program and provides that if the provisions of the Act are to be effective for the crop year 1935-36 that two-thirds of the cotton farmers in the United States must favor a continuation of the Act. As one method of determining the sentiment of cotton producers toward its continuance, the Secretary held a referendum on the Act on December 14, 1934. Prior to the referendum, a series of leaflets containing information relative to cotton production, consumption, and prices were prepared and distributed widely to cotton producers throughout the Belt. Meetings were held in local communities to discuss the information contained in these leaflets, as well as other pertinent information, relative to the cotton situation. Recent reports indicate that nearly 30,000 such meetings were held and that the total attendance approximated 1,500,000 people.

On the date of the referendum, community referendum committees supervised the casting of ballots throughout all cotton-producing counties. The ballot was drawn and the referendum was conducted in such a manner as to permit all eligible voters to cast their ballots with the utmost secrecy. Slightly more than 1,600,000 ballots were cast, representing approximately 2,000,000 farms that produce cotton according to the 1930 census. The vote was overwhelmingly in favor of continuation of the Act for the second year, with 90 percent of those voting favoring its continuance.

After it was found that cotton producers were strongly in favor of continuing the Act, it was necessary that the Secretary determine the amount of cotton that could be ginned tax free during the crop year 1935-36. After making a study of the domestic and foreign cotton situation, the Secretary announced on January 17, 1935, that the Bankhead quota for 1935 would be 10,500,000 bales of 500 pounds of lint cotton. It was further announced that individual allotments under the Bankhead Act will be, as nearly as possible, for each cooperating producer that quantity of cotton equal to 65 percent of his base acreage times the average yield of the farm for the base period.

The decision as to procedure in cotton adjustment in this country rests largely upon the basis of securing for the producer a fair price for his product so that the cotton producing industry may be protected against the recurrence of such disasters as that of 1931 and 1932. The aim is to adjust production to effective demand and hold production at that point as nearly as possible. Cotton production in this country has been developed to meet the needs of the world market. The policy of balancing supply against demand, therefore, does not involve the implication that cotton production here will be restricted to meet domestic requirements, either by voluntary or compulsory control. Neither does such a policy threaten the loss of our foreign markets, unless it is assumed that a fair price to our producers will close foreign markets to them.

We have had drastic reduction in cotton production in this country for the past two years. Agricultural adjustment does not mean that drastic reductions will continue to be necessary. The plan for 1935 will permit a moderate increase over that for 1934. On account of excessive supplies the program thus far has necessarily been one of reduction. An adjustment program that will bring prosperity to a region or to a nation should properly serve the legitimate interests of all. A sound control program operates to the advantage of all society.